

the notes should be guaranteed to their full amount by deposits in the public treasury of gold, government notes, municipal bonds, treasury bills, or bonds of mortgage banks. These notes were made receivable in payment of taxes until December 31, 1897. The notes constituted a first lien on the assets and in case of failure the securities in the Treasury were to be sold for the benefit of the note-holders.<sup>1</sup>

The bank currency system and the gold standard were wrecked completely in 1898 by the threat of war with the Argentine Republic. The causes of the crash lay deeper, in the lack of adaptability of the means adopted for maintaining stable exchange and in the bond-secured note system, but it was the rumors of war and other disturbances which caused the tottering structure to fall. The President of the Republic, in his annual message of June 1, 1898, had vaunted the existence of a gold fund sufficient to cover a paper issue of 57,-000,000 piasters and had even promised to present a bill for the employment of the surplus of the conversion fund.<sup>2</sup> On July 5th the growing exports of gold and the refusal of the Bank of Chile to honor gold drafts caused a run upon the banks at Santiago for the withdrawal of deposits, which compelled general suspension of gold payments. A *moratorium* of thirty days was granted by the government and a bill was quickly put through Congress (on July 30th) restoring the régime of irredeemable paper.

The amount of paper authorized was 50,000,000 piasters (\$18,000,000), and it was solemnly voted that the notes should be redeemed at the rate of eighteen pence at the end of three years. The notes were to be legal tender, but were to be deposited with the banks, which had seen practically their entire circulation melt away in the demand for its reimbursement.<sup>3</sup> Customs duties were to be paid in gold or gold exchange. The curious policy was adopted of selling for paper the gold thus received, which had the effect

<sup>1</sup> *Bulletin of the Bureau of American Republics*, April, 1895, 670-74.

- *Journaliste Européen*, September 30, 1898, XIV., 421. <sup>3</sup> *Marché Financier en France*, 695.